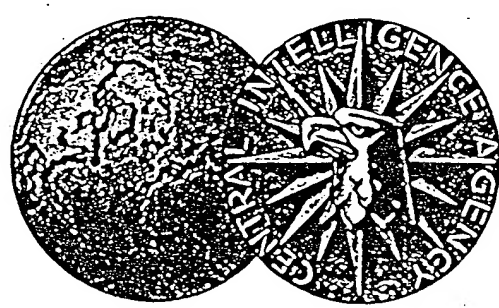


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PROBABLE DEVELOPMENTS IN TAIWAN

SUMMARY

1. Communist control of Taiwan and consequent Soviet access to the island in wartime would have seriously unfavorable strategic implications for the US.

2. From the legal standpoint, Taiwan is not part of the Republic of China. Pending a Japanese peace treaty, the island remains occupied territory in which the US has proprietary interests.

3. The native population of Taiwan would welcome release from Chinese control, but is not now strong enough to stage a successful revolt. The Taiwanese are increasingly restive, however, because of the influx of Nationalist officials and military forces, and will become more susceptible to Communist influence.

4. Assuming US inactivity, Taiwan will eventually pass under the control of the Chinese Communists. In any US program to prevent this, the advantages to be gained from the strategic military viewpoint would have to be weighed against unfavorable political consequences, the extent of which would vary depending upon the selection and timing of measures for implementing the program.

At the present time there appears to be no realistic means for preventing the early establishment of a Communist-dominated government over all China. It can be assumed that such a government would strive to establish its authority in Taiwan. There is evidence that even now the Chinese Communists are seeking to extend their control to that island, and they may be expected to continue these efforts. The Chinese Communists will not finally secure their prospective victory in China until they control Taiwan, inasmuch as the present National Government is now developing Taiwan as a principal base for continuing the struggle against Communism. It is assumed in this discussion that the orientation of the Chinese Communists will remain pro-Soviet, and that a government established by them would be a wartime ally of the USSR.

Note: The intelligence organizations of the Departments of State, Navy, and the Air Force have concurred in this report; the Intelligence Division, Department of the Army, had no comment. The information herein is as of 25 February 1949.

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PROBABLE DEVELOPMENTS IN TAIWAN

1. STRATEGIC IMPORTANCE OF TAIWAN TO THE US.

The strategic implications of Chinese Communist control of Taiwan with the prospect of consequent Soviet access to the island, would be seriously unfavorable to the security of the US.

Communist victories in China will probably in the near future deny US access to all the strategically valuable areas of the Chinese mainland. This circumstance will increase the potential value to the US of Taiwan, in the event of war, as an area for staging troops, as a base for strategic air operations, as a naval base for controlling sea routes between Japan and the south, and as an important link in the US defense chain of mutually supporting islands.

Assuming that a new Communist Government in China will be oriented toward the USSR, and would be a wartime Soviet ally, Communist control of Taiwan would allow Soviet access to the island in the event of war. Military exploitation of Taiwan by the USSR would increase Soviet capability for disrupting sea and air communications in the Western Pacific area, and for conducting operations against the Ryukyus and the Philippines.

Taiwan does not possess any significant quantities of strategic materials nor does it have a large industrial potential. The island, nevertheless, would be an economic asset rather than a liability to any occupying power. Taiwan currently produces exportable surpluses of rice, sugar, and other foods which could play an important role in the food-deficit economies of either China or Japan. If sufficient fertilizer were available, agricultural production could be increased substantially. Although the industrial plant of Taiwan is small in comparison with that of Japan, its very existence in the industrially backward Far East gives it a significance out of proportion to its actual size.

If Taiwan's rice and sugar were available to Japan, it would lighten the US burden in that area by partially relieving Japan's dependence on more distant and less dependable sources in Southeast Asia. The textiles and other consumer goods as well as industrial equipment which Japan could supply Taiwan could be profitably absorbed by the island's economy. Thus it is very probable that the separation of the economy of Taiwan from the Chinese mainland and the re-orientation of that economy toward Japan would under present circumstances be beneficial to Taiwan, Japan, and the US.

2. INTERNATIONAL STATUS OF TAIWAN.

At the present time Taiwan is not legally a part of the Chinese Republic. Its status remains to be determined in the peace treaty with Japan. The island has, however, been under Chinese administration since the Japanese surrender in 1945. China's position in Taiwan rests on (1) military control, and (2) the Cairo Declaration of November 1943, in which the US and the UK as well as China announced their purpose to restore Taiwan and the Pescadores to the Republic of China. The US and the UK reaffirmed the Cairo Declaration at Potsdam on 26 July 1945. Subsequently the USSR adhered to the Potsdam Proclamation, and thereby to the Cairo Declaration. However,

neither the US, nor any other power, has formally recognized the annexation by China of Taiwan, the legal status of which, until the conclusion of a Japanese peace treaty, is that of an occupied territory in which the US, as well as the other participants in the war against Japan, still have proprietary interests.

3. PROBABLE DEVELOPMENTS IN TAIWAN.

There is strong sentiment in Taiwan favoring autonomy, but the situation is complicated by the conflicting interests of the native Taiwanese and Chinese Nationalist elements. The Taiwanese bitterly resent the performance of the Nationalist administration on Taiwan since VJ-day. The Chinese rulers have exploited the native population to the limit, without regard for their welfare or the preservation of the island's resources. The explosive nature of the Taiwanese problem was dramatically demonstrated in the abortive insurrection of 1947.

a. *Taiwanese Aspirations and Capabilities.*

The native population of Taiwan would welcome release from their domination by mainland Chinese. The Taiwanese probably do not have strong aspirations for immediate independence, but could be expected to favor a trusteeship status under the UN or some form of US protectorate.

A successful Taiwanese rebellion against the Chinese Government in the near future is quite improbable, owing to lack of effective organization and leadership and the presence of Nationalist military forces on the island. It is quite probable, however, that the Taiwanese may resort to acts of violence and sabotage at any time in protest against the current influx of mainland Chinese. These outbreaks may be prompted, not so much by hope of success as by a desire to draw the attention of world opinion to the Taiwanese problem. Furthermore, even if a non-Communist Taiwanese regime were established, its ability over a long period of time to withstand pressure from the Communist-dominated mainland would be slight, in view of the lack of governmental experience of potential Taiwanese leaders and the economic problems which would confront their regime.

b. *Nationalist Remnants in Taiwan.*

With the disintegration of the National Government on the mainland, Chinese Nationalist leaders have made significant progress in the development of Taiwan as a base for continued resistance and as a final refuge. The families and properties of a number of highly placed Nationalists as well as some important officials have already moved to Taiwan. In addition, the government has transferred to the island the major part of its gold bullion resources. The government may have as many as six divisions now in training on the island, a number which may be increased by withdrawal of additional troops from the mainland. The equipment and ammunition supplies of these troops have been augmented by recent shipments of war materials from the US at the Taiwanese port of Keelung. Moreover, Taiwan is being prepared as the principal base for the Chinese Navy and Air Force.

Some Nationalist elements apparently contemplate continuing resistance to the Communists from the southeast provinces of the mainland, perhaps coordinated with other resistance offered by non-Communist elements in the southwest and western provinces. In this plan, Taiwan will serve as a principal military and economic base, and, as a last resort, the seat of a rump National Government driven off the mainland. The importance attached to Taiwan is indicated by the recent appointment of former Chief of Staff Chen Cheng as governor. There are many indications that Chiang Kai-shek, who still retains the title of President, may himself move to Taiwan. Nationalist leaders have publicly proclaimed their intention of making the island an anti-Communist bastion for the rejuvenation of the Chinese nation, and have privately suggested to US officials that ECA aid be diverted there, and that trade relations between Japan and Taiwan be resumed.

A Nationalist rump government on Taiwan cannot be relied upon to prevent the Communists from gaining control of the island. The Nationalist Army, Navy, and Air Force are not only inefficient, but their loyalty and will to fight are questionable. In addition, such a refugee regime would be unstable because of the hostility of the local population which, in these circumstances, would be increasingly susceptible to Communist influence.

c. Communist Capabilities with Respect to Taiwan.

Although Communist strength on Taiwan has not yet attained significant proportions, it is apparent that the Communists plan to extend their control to the island; they have, in fact, named Taiwan among the sixteen major centers of resistance which they intend to occupy. In the next few months the Communists may acquire mainland ports and shipping which will provide the opportunity for a military assault on Taiwan, but this could probably be repulsed by the Nationalists so long as the navy and air force remained loyal. The Communists, therefore, will probably try to extend their influence among the Taiwanese by infiltration and by political means, instead of attempting to take the island by direct assault. Through infiltration, the Communists could provide effective leadership and arms for the Taiwanese insurgents; and through political means, such as offering amnesty or even rewards to Nationalist leaders assisting a Communist triumph, the Nationalist will to resist could be reduced. Thus, the Chinese Nationalist administration, unless supported by US military force, would eventually be deposed by a Communist-led native movement.

There is also some prospect that the Communists might acquire control over Taiwan by political means alone, through a Nationalist-Communist agreement as a part of peace negotiations on a national or local scale. It is unlikely that the Communists would agree to any settlement on a national scale unless the Communists, by its terms, were assured control over the government military forces and resources in Taiwan.

Assuming US inactivity, Taiwan will eventually but probably not immediately pass under the control of the Chinese Communists.

4. CONSEQUENCES OF US MEASURES TO DENY TAIWAN TO COMMUNIST DOMINATION.

Any US measures to implement a program of denying Taiwan to eventual Communist domination would have some unfavorable political consequences.

a. It is unlikely that the US, in any course of action, can avoid incurring the hostility of either the Chinese Nationalists or the Taiwanese, each of whom would resent and resist any US effort to support the other. US acquiescence in Nationalist control of Taiwan is resented by the Taiwanese. Positive support to the Nationalists would probably drive the Taiwanese toward the Communists. On the other hand, US support to Taiwanese aspirations would require taking over authority from the established Nationalist regime.

b. US measures to affect the course of events in Taiwan would provide the USSR and the Chinese Communists with additional material for their anti-US propaganda.

c. Anti-US sentiment probably would increase in China, where the return of Taiwan to the Republic of China is accepted as a fact, although the extent would vary depending on the nature of the measures adopted by the US. This issue could win increased popular support for a Communist regime in China.

d. It would probably preclude the US maintaining normal diplomatic and consular relationships with a Communist government in China, if such relations were desired. This would certainly be the case if the US supported or was accused of supporting a rump Nationalist government on Taiwan.

e. Depending on the nature of the US program, the Taiwanese problem might be raised in the UN to the embarrassment of the US.

On the other hand, some courses of US action might produce results beneficial to US interests. The will to resist Communism in Japan, in Korea, in the Philippines and elsewhere throughout the Far East, including the southeast coastal areas of China, might be strengthened. A definite US program toward Taiwan would be viewed as an indication of US determination to check the advance of Communism in the Far East wherever practicable to do so. Favorable reaction might develop if the US program were developed in such a way as to secure local stability and contentment in Taiwan and to satisfy Taiwanese sentiment in favor of autonomy. The program would have to be supplemented by an informational campaign designed to demonstrate that the US was favorable to Far Eastern nationalist aspirations. If not, the political consequences throughout the Far East could be distinctly unfavorable to the US.

5. CONCLUSION.

The situation in Taiwan is steadily growing more critical for the US because of Taiwanese discontent, Chinese Nationalist preparation of the island as a last bastion, and increasing Chinese Communist interest in and capabilities toward the island. Assuming US inactivity, Taiwan will eventually pass to the control of the Chinese Communists. The strategic implications to US security of such a development would be seriously unfavorable. In any US program to prevent Communist control of Taiwan, the advantages to be gained thereby from the strategic military viewpoint would have to be weighed against unfavorable political consequences, the extent of which would vary depending upon the selection and timing of measures for implementing the program.

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